



COMPOSITE SECURITIES LIMITED

Risk Management & Surveillance Policy

1. Preface

Risk Management is an integral part of any organization. We need to deal with various kind of risk like Credit Risk, Market Risk, Default Risk, Liquidity Risk and other Risk.

In Securities Market, customers have to be alerted with respect to their obligations, open positions, market conditions, margin requirements, regulatory requirements and steps initiated by brokers in case of changing market situations.

With a view to enhance customer knowledge and safeguarding investor interests, CSL have devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that customers are aware of criteria based on which CSL monitors risk and initiates actions to safeguard the interest.

Major parameters of RMS Policy are mentioned below:

❖ Front End Level

All our Trader work stations are CTCL/IML based; the product deployed is from the empanelled vendor DOTEX/Neat-Xs Limited. The limit assignment at all the levels viz. Branch, Dealer & Client are reviewed on a daily basis. Intraday, the Surveillance team would continuously monitor the Branches/Dealers/Clients on the Surveillance software. All activities / positions are reported to the Top management on a regular basis or as the situation would warrant. The Total margin deposited with NSE/BSE versus utilized VAR+ELM is monitored continuously as well. Any intraday change of the limits of either Branch/Dealer/Clients is done with the explicit permission of the Top Management only. All quantum buy and sell orders are only reviewed and cleared by the Top Management. And only then such orders are placed into the NSE/BSE system.

❖ End of the Day

A detailed Client level and Branch Level MIS w.r.t Fund and Securities position is generated at the end of the day and the Top level management would review the same. A branch level review is also done with all the Sub Brokers and Branch heads on a daily basis.

2. Setting up clients exposure limit

Cash Segment:

Exposure constitutes both a purchase and sale transactions of shares & securities. A purchase transaction includes buying of securities and it remains as exposure till client gives full payment for the shares bought. A sale involves a share delivery obligation to the exchange and it remains an exposure till the client delivers the shares. Exposure will mean the aggregate of the outstanding purchase and sales.

Exposure limit of the client will be set on the basis of available base capital as defined below. The limits may be allowed on a multiplier basis to the available base capital depending on the market conditions and the risk perception about the market/client. However in exceptional situations CSL may use its own discretion in providing the limits and may change for a client or for all depending on market conditions.



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Base Capital constitutes of Margin Ledger +/- Party Ledger + Collateral Stocks (Stocks given to CSL as Margin) + Debit Stock (Stock withheld by CSL against ledger debits) + Outstanding Stocks (Stocks yet to receive from exchange) – Shortages (Stock sold but not delivered to broker for pay in within T+2 days) + Value of stocks held in Demat Account (where Power of Attorney is given) # All stocks are valued after hair cut applied by CSL

The exposure in offline segment will be as under:-

Base Capital (Rs. In Lakhs)

Base Capital (Rs. In Lakhs)	Normal Market Condition (No. of times)	Panic Market Condition *(No. of times)
0 – 2	2 Times	2 Times
2 – 10	3 Times	2 Times
10 – 15	4 Times	3 Times
Above 15	5 Times	3 Times

The market would be categorized as Panic Market if the index movement is 6 % in a single day or a cumulative movement of 10 % (either side movement) in consecutive sessions or is declared specifically by CSL in case of emergency for the limited purpose of this Risk Management Policy.

The exposure in online segment will be as under: -

Product	No. of Times
Intra Day	5
Delivery Plus	4
Margin Plus	Up to 10

Customer can utilize the limit as per his desire for the available product. In case the same is used for one product then the limit will be adjusted for other product automatically. Further trading limits are provided only on realized cheques and fund transfer done using payment gateway in both the segment.

- The above exposure limits can be reduced to one time based on clients profile & CSL's risk appetite.
- In addition to above, CSL applies specific scrip wise Margin, hence few scrips can attract higher Margin than the normal margin available for liquid scrips, this can vary in the range of 50 % to 100 %.

In other case the exchange increases the margin requirement in any scrip, CSL can reduce the exposure in that particular scrip as per the exchange margin requirement i.e. say exchange has increased the margin in scrip XYZ Ltd. By 100 %, CSL may reduce the exposure to half in XYZ Ltd. apart from this scrip, client will be having normal exposure in total as per above guidelines.

F&O Segment:

Derivative segment is a margin driven segment. Margin will be collected as per the requirement of the exchange i.e. SPAN margin + exposure margin + additional margin (as any made applicable by the exchange). In case of panic market additional margin can be collected by CSL looking at market conditions.



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Scrip's acceptable as collateral – only approval list of stocks as per exchange for F&O margin will be accepted after a haircut applicable as per exchange.

Further to fulfil the exchange margin requirement CSL may pull the shares equivalent to margin requirement from clients DP account based on POA given by client.

All limits in the F&O segment will be strictly defined as per the margin deposited by the clients.

Options:

In case of F&O segment, all the far Month Option contracts and third Month Option Contract (Except Nifty) will not have buy and sell limit due to its illiquid nature. However in all above cases if client still wish to trade then the client needs to coordinate with the respective branch and the limit will be set by Head Office after analysing the requirement.

3. In the Money:

All in the money options have restricted trading facilities. All options which are in the money will be open for square off only.

4. Communication

Client can view details of his ledger, margin, shortfall etc through his secured login on CSL website. The client has to be aware about his position, outstanding balance and Risk. CSL is under no legal obligation to send any separate communication but as a customer centric company we may take extra efforts generally to ensure that client is well informed about the Risk and the possible actions, which may follow. The communication would generally be through SMS/Email on registered contact details with CSL.

5. Disclaimer

CSL management will have a discretion to alter/change any of exposure limit, selling parameter defined in this policy on the basis of prevailing market conditions with or without prior intimation and can use their discretion to grant any kind of exemption/permission in case they deem fit on case to case basis.